



# **The Commonwealth of Massachusetts**

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## **DEPARTMENT OF PUBLIC UTILITIES**

D.P.U. 14-04

January 23, 2014

Investigation by the Department of Public Utilities upon its own motion into Time Varying Rates.

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### ORDER OPENING INVESTIGATION

## I. INTRODUCTION

On October 2, 2012, the Department of Public Utilities (“Department”) issued a Notice of Investigation into the modernization of the electric grid. Modernization of the Electric Grid, D.P.U. 12-76 (2013). The Department identified time varying rates as an important issue to be addressed in the context of grid modernization. D.P.U. 12-76, at 9-11.

In D.P.U. 12-76, at 10-11, the Department discussed the benefits and challenges of implementing time varying rates in Massachusetts. Similarly, in D.P.U. 12-76, at 4-5, the Department identified several opportunities inherent in grid modernization, many of which are enabled by time varying rates. In sum, the Department concluded that time varying rates will (1) allow customers, assisted by new technologies (e.g., advanced meters, in-home displays, programmable thermostats, load control devices), to respond to the actual varying costs of electricity; (2) enable individual customers to save money by altering usage based on price signals that reflect these actual costs; (3) benefit all customers by reducing peak energy and capacity market costs; (4) increase system efficiencies and support the distribution system by reducing peak demand; and (5) provide appropriate incentives for distributed resources such as solar photovoltaic generation, storage, electric vehicles, and targeted energy efficiency and demand response.

As part of the investigation in D.P.U. 12-76, the Department created a stakeholder working group (“Working Group”) to guide its approach to grid modernization. On July 2, 2013, the Working Group submitted a report which included background information, proposed principles, and recommendations on the design of time varying rates. Report to the Department of Public Utilities from the Steering Committee, D.P.U. 12-76 (“Report”), at 31-37, 53-56. Most

Working Group members recommended that the Department open an investigation into time varying rates (Report at 93-94).

On December 23, 2013, the Department issued a straw proposal for advancing grid modernization. D.P.U. 12-76-A. In its straw proposal, the Department stated its intention to open a separate investigation to examine time varying rates. D.P.U. 12-76-A at 33-35.

Accordingly, the Department opens this investigation to develop an approach to maximizing the benefits of time varying rates.<sup>1</sup> As an initial step, the Department seeks comment from interested persons on the topics and questions addressed below.

## II. SOLICITATION OF COMMENTS

As the Department considers the implementation of time vary rates, a threshold question is whether basic service<sup>2</sup> should be a time varying rate. We seek comment on the following questions:

- Should basic service become or include a time varying rate (or rates)? Why or why not?
- Different time varying rate structures provide varying levels of price signal, customer protections from price volatility, complexity, etc. In the event that basic service becomes or includes a time varying rate (or rates), should there be a single option or a menu of options (e.g., real time pricing, critical peak pricing, time of use, peak time rebate) and should a flat rate be included among the options? If basic service is a menu of options, should a time varying rate or a flat rate be the default rate?

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<sup>1</sup> The Department recognizes that many medium and large commercial and industrial (“C&I”) customers already participate in the competitive retail energy supply market and that some of these customers are already on time varying rates. By contrast, most residential and smaller C&I customers are on basic service. Thus, although this inquiry involves all customer classes, it is especially relevant to residential and smaller C&I customers.

<sup>2</sup> Customers receive electric supply service either through their distribution company, which is called “basic service,” or through the competitive retail energy supply market.

- Should the Department consider an approach similar to the “Smart Energy Rewards” program offered by Baltimore Gas Electric, whereby the distribution company runs a peak-time rebate type program for all distribution customers, regardless of whether they are on basic service or competitive supply?<sup>3</sup> If this is considered by the Department, should it be considered as a bridge to time varying rates?
- What is the likely impact on the competitive retail supply market if basic service becomes or includes a time varying rate (or rates)?
- What impact might the recent increase in municipal aggregations have on the Department’s ability to maximize the benefits of time varying rates?

Achieving the potential benefits of time varying rates will require significant efforts to reach, market to, and educate customers. Accordingly, the Department seeks comment on the following questions:

- In the event that basic service becomes or includes a time varying rate (or rates), what role, if any, should distribution companies have in reaching, marketing to, and educating customers about time varying rates?
- In the event that basic service remains a flat rate product, will competitive suppliers develop time varying products and effectively market to and educate the public regarding the use and benefits of time varying rates?
- In the event that basic service does not include a time varying rate, what role, if any, should distribution companies have in reaching, marketing to, and educating customers about time varying rates offered by competitive suppliers?

Finally, the Department seeks comment on the following questions related to distribution rates:

- Should the distribution rate become a time varying rate? Why or why not?
- Is there a cost basis for time varying distribution rates (e.g., could a distribution company lower its costs through avoided or delayed investments in its system due to peak shifting effected by time varying rates)?

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<sup>3</sup> For more information, see, <http://www.bge.com/smartenergy/smart-energy-rewards/pages/default.aspx>.

### III. SUBMISSION OF COMMENTS

Written comments must be submitted no later than the close of business (5:00 p.m.) on March 10, 2014.<sup>4</sup> Written comments may not exceed 25 pages in length.

A paper copy of all submissions should be filed with Mark D. Marini, Secretary, Department of Public Utilities, One South Station, 5th Floor, Boston, Massachusetts 02110. An electronic copy of all submissions should be filed with the Department using one of the following methods: (1) by e-mail attachment to [dpu.efiling@state.ma.us](mailto:dpu.efiling@state.ma.us) and [marc.tassone@state.ma.us](mailto:marc.tassone@state.ma.us); or (2) on CD-ROM. The text of the e-mail or CD-ROM label must specify: (1) the docket number of the proceeding (D.P.U. 14-04); (2) the name of the person, company, or organization submitting the filing; and (3) a brief descriptive title of the document. The electronic filing should also include the name, title, telephone number, and e-mail address of a person to contact in the event of questions about the filing. All documents submitted in electronic format will be posted on the Department's website: <http://www.mass.gov/dpu>.

### IV. ORDER

Accordingly, it is

ORDERED: That the Secretary of the Department shall send a copy of this Order to each local electric distribution company subject to the jurisdiction of the Department under G.L. c. 164; and it is

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<sup>4</sup> The Department will determine next steps following our review of the comments received.

FURTHER ORDERED: That the Secretary of the Department shall serve an electronic copy of this Order upon the service list in Investigation by the Department of Public Utilities on its own Motion into Modernization of the Electric Grid, D.P.U. 12-76; and it is

FURTHER ORDERED: That the Secretary of the Department shall serve a copy of this Order upon all persons who have filed a request with the Department.

By Order of the Department,

/s/

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Ann G. Berwick, Chair

/s/

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Jolette A. Westbrook, Commissioner

/s/

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David W. Cash, Commissioner